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B.Com Honours | Semester II | Calicut University

Life Insurance Fundamentals and Applications

Course Code: COM2MN106 • Module 3 Notes

1. Policyholder Rights and Claims Management: Procedures and Documents

An insurance policy is a binding legal contract. Both the policyholder and the insurer have rights and responsibilities. This module covers the duties of policyholders, grace periods, policy lapses, and the step-by-step procedures for initiating death and maturity claims.

Policyholder Rights and Duties

- **Premium Obligations:** The policyholder must pay premiums on time to keep the policy active.
- **Nomination & Assignment:** Policyholders have the right to nominate beneficiaries to receive the claim payouts, or assign the policy to a bank as collateral for loans.
- **Material Disclosure:** Disclosing changes in health or occupation during the policy term if required.

Grace Periods and Policy Lapses

If a premium is missed, the policy does not lapse immediately. Insurers provide a **Grace Period** (typically 15 days for monthly mode and 30 days for yearly/half-yearly mode) to pay missed premiums. If the premium is still unpaid after the grace period, the policy **lapses**, and coverage stops. Policyholders can **revive** a lapsed policy within a set timeframe by paying outstanding premiums with interest and submitting health declarations.

Claims Settlement Procedure

Claims are the ultimate service delivery in the insurance industry:

1. Death Claims (Intestate or Nominated)

- **Notification:** Beneficiaries notify the insurer immediately about the death.
- **Documents:** Death certificate, original policy bond, claim forms, age proof, and medical reports.
- **Settlement:** The insurer verifies the claim and pays out the sum assured to the nominee.

2. Maturity / Survival Claims

- **Notification:** The insurer notifies the policyholder before the policy maturity date.
- **Documents:** Discharge voucher signed by the policyholder, original policy bond, and bank details.
- **Settlement:** The maturity amount is transferred directly to the policyholder's bank account.